

Message Text

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ACTION SS-30

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8817

C O N F I D E N T I A L SANTIAGO 3114

EXDIS

E.O. 11652: GDS

TAGS: EFIN, ETEL, CI

SUBJECT: ITT-CHITELCO

REF: A) STATE 105262; B) STATE 107248

1. ECONOMIC ADVISER TO THE JUNTA, RAUL SAEZ, TOLD US HE WAS PLEASED WITH RECENT DISCUSSIONS HE HAD WITH ITT REPS IN US. THROUGHOUT TALKS SAEZ SAID HE MAINTAINED FICTION HE WAS ACTING ONLY IN PRIVATE CAPACITY, BUT NOBODY WAS FOLLED. ACCORDING SAEZ, HE TOLD ITT THIS WAS CHILE'S MOST DIFFICULT COMPENSATION CASE AND WOULD RAISE SENSITIVE ISSUES FOR GOC, ITT AND US GOVERNMENT. HE THOUGHT, HOWEVER, THAT NOW WAS TIME FOR SEARCH FOR SOLUTION TO BEGIN. SAEZ SENSED ITT WAS VERY ANXIOUS TO START TALKS AS DEMONSTRATION THAT PRESENT GOC DID NOT CONSIDER TTT BEYOND THE PALE.

2. EARLY IN DISCUSSIONS SAEZ SAID HE TRIED TO ESTABLISH PARAMETERS FOR COMPENSATION. ITT TOLD HIM ITS SHARE OF CHITELCO BOOK VALUE ON SEPTEMBER 30, 1971 (DATE OF GOC INTERVENTION) WAS APPROXIMATELY \$153 MILLION. SAEZ TOLD THEM THAT THIS WAS A TOP FIGURE AND HE WAS LOOKING FOR A BOTTOM FIGURE. LATTER, HE SAID, WAS INFLUENCED BY SUCH FACTORS AS ITT DISPUTE WITH OPIC OVER INSURANCE AND ITT IMAGE IN CHILE. AT ONE POINT IN CONVERSATION WITH US SAEZ MENTIONED OFFHAND \$90 MILLION AS POSSIBLE MINIMUM COMPENSATION FIGURE.

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3. SAEZ SHOWED US MEMORANDUM WHICH HE AND GUILFOYLE

SIGNED. IT COVERED POINTS REPORTED IN REF A. BEFORE SIGNING, SAEZ SAID HE INSISTED THAT OPIC GIVE ITS O.K., WHICH IT DID.

4. ON QUESTION OF ITT REINVESTMENT IN CHILE, SAEZ SAID HE BROACHED IDEA WITH ITT OFFICIALS, INCLUDING GENEEN, POSSIBILITY OF VERY LARGE, MULTI-FACETED, ITT RESEARCH FACILITY BEING ESTABLISHED IN CHILE. THIS WOULD BE PRACTICAL WAY TO ACHIEVE TRANSFER OF TECHNOLOGY AS ENVISIONED IN TLATELOCO MEETING. SAEZ SAID GENEEN REACTED ENTHUSIASTICALLY AND ITT EXPERTS NOW STUDYING IDEA.
POPPER

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